



**BUSITEMA
UNIVERSITY**
Pursuing Excellence

P.O. Box 236, Tororo, Uganda
Gen: +256 - 45 444 8838
Fax: +256 - 45 4436517
Email: info@adm.busitema.ac.ug

www.busitema.ac.ug

**THE EFFECT OF ICT ON FINANCIAL PERFORMANCE OF SMALL ENTERPRISES
A CASE STUDY OF SMALL AND MEDIUM ENTERPRISES IN PALLISA DISTRICT**

AKULLO DOREENBU/UP/2017/315

**A RESEARCH REPORT SUBMITTED TO BUSITEMA UNIVERSITY FACULTY OF
MANAGEMENT SCIENCES IN PARTIAL FULFILLMENT OF REQUIREMENTS FOR
THE AWARD OF BACHELORS OF BUSINESS ADMINISTRATION DEGREE**

APRIL 2020

DECLARATION

I Akullo Doreen do hereby declare that this research proposal has been my own original work and it has not been submitted to any other University/Institution by anybody else for any other degree award.

Student's Signature:

Date:

APPROVAL

This research proposal has been submitted for examination with the approval of my supervisor and is for the award of a Bachelor of Business Administration of Busitema University.

Supervisor: Mr. EMOJONG RONALD

Signature:

Date:

DEDICATION

This research project is dedicated to my loving auntie, Mrs. Auma Vicky, my father, Mr. Okullo George William not forgetting the team that helped me in compiling this work especially Mr. Mandela Salim Buluma

I also dedicate this research to the staff members of Busitema University. On a special note I also dedicate this research to my supervisor, Mr. Emojong Ronald for his endless guidance and my Lastly, to my friends and fellow researchers at Busitema University specifically Bichekwa Ronald, Nabwami Palma, Maina Timothy Omoding without forgetting Mwesigwa Elijah, Muhaire Keren Happuch and Katoko Joan for the corporation and love exhibited. May God reward you accordingly, Amen!

ACKNOWLEDGEMENT

First and foremost I am grateful to God for having guided me through my Academic Struggle. I wish also to thank the following persons for the technical support they gave me. I must register my most sincere gratitude to my supervisor Mr. Emojong Ronald for his constructive criticism and guidance throughout the study. I wish also to thank Mr. Mandela Slim Buluma for the proper guidance he rendered to me in completing this research.

Lastly, special thanks go to the following; my brothers; Odeke Keneth, Wanda Keith, Pius Tumwine and my sister Alwano Christine and my auntie Mrs. Auma Vicky who provided all the financial assistance to enable me complete my studies.

Thanks also go to my parents who tirelessly worked hard both by their financial support and prayers to ensure that I completed my course.

May God bless you ALL

ABSTRACT

The study was carried out with the purpose of examining the effect of ICT on financial performance of small and medium enterprises in Pallisa district. The objectives for the study was; To determine the effect of systems integration on financial performance, to determine the effect of network capabilities on financial performance and to determine the effect of software application on financial performance. The researcher applied both qualitative and quantitative techniques in designing the research. A total of 30 respondents participated in the study and were selected using random sampling method. The data was collected using questionnaires and interviews and presented using tables, graphs and pie charts for easy analysis.

The research findings revealed that how computerization has improved productivity in the business organization, safe storage of and quick access to business information which in turn quickens service delivery, and reducing the costs of doing business and also improves book keeping and accounting in the business. It was also found out that computerization increases transparency in handling funds in the organization.

The study also highlighted some of the negative and positive effects that have been registered in financial management as a result of using computer technology in business organization which included; high cost of equipping and maintaining computerization, the effect of hackers into the organizations net work causing a business risk, Data loss which is most common with computerization and the threat of ever developing computer viruses.

It was however recommended that the business organization should put more emphasis on ensuring that data security is beefed in order to counter the threat of computer hackers and computer virus that most common with computerization. Also the study recommended training of employees in application of financial software's and efficient use of these new packages in financial function of the business.

Table of contents

APPROVAL iii

ACKNOWLEDGEMENT v

ABSTRACT vi

LIST OF TABLES x

LIST OF FIGURES xi

 LIST OF ABBREVIATIONS AND ACRONYMS xii

CHAPTER ONE..... 13

 1.0 Introduction 13

 1.1 Background of the study 13

 1.2 Statement of the problem..... 15

 1.3 Purpose of the study 15

 1.4. Specific objectives of the study 15

 1.5 Research questions 16

 1.6 Scope of the study 16

1.6.3 Time scope 16

 1.7 Significance of the study 16

 1.8 Conceptual framework 17

 1.9 Assumptions of the study 18

 1.10 Definition of Key Concepts..... 18

CHAPTER TWO..... 20

LITREATURE REVIEW 20

 2.0 Introduction 20

 2.1 Historical review 20

 2.2 Theoretical review 21

 2.2.1 The technology acceptance model (TAM) 21

 2.4 To determine the effect of system integration on financial performance of small enterprises 22

 2.4.2. To determine the effect of networking capabilities on financial performance of small enterprises 25

 2.4.3. To determine the effect of software application on financial performance of small enterprises... 27

 2.5 Summary of literature..... 30

CHAPTER THREE: 31

RESEARCH METHODOLOGY	31
3.0 Introduction	31
3.1 Research design	31
3.2 Population of the study	31
3.3 Sample design.....	32
3.4 Sampling method.....	32
3.5 Type of data.....	33
3.6 Data collection methods	33
3.7 Data collection procedure	33
3.8 Data analysis techniques and methods	33
3.9 Instrument pre-testing.....	34
3.10 Ethical considerations.....	34
CHAPTER FOUR	35
DATA ANALYSIS AND PRESENTATION OF FINDINGS	35
4.0 Introduction	35
4.1 Response Rate	35
4.2 Demographic Information	35
4.2.1 Gender of Respondents.....	35
4.2.1 Age of the respondents	36
4.2.3 Education background	37
4.3. The effect of system integration on financial performance of small and medium enterprises	38
4.4 The effects of working capabilities on financial performance of small enterprises	42
4.5 The effect of software application on financial performance of small enterprises.....	45
CHAPTER FIVE:.....	49
INTERPRETATION OF FINDINGS, SUMMARY, CONCLUSION AND RECOMMENDATIONS	49
5.0 Introduction	49
5.1 Interpretation of the findings	49
5.1.1 The effect of systems integration on financial performance	49
5.1.2 The effect of network capabilities on financial performance	49
5.1.3 The effect of software application on financial performance	50
5.2 Summary of the findings	50
5.3 CONCLUSION	51

5.4 Recommendations	52
5.4.1. Recommendations for further studies.....	52
5.5 Limitations of the study.....	52
REFERENCES	53
APPENDICES.....	56
Appendix I: Letter of Introduction	56
Appendix II: Questionnaire	57
Appendix III: Work Plan for 2020	61
Appendix IV: Research Budget.....	62

LIST OF TABLES

Table 1: Showing population sample of the study31

Table 2: Showing the gender of respondents35

Table 3: Age of the respondents.....36

Table 4: Showing education background37

Table 5: Showing the effect of system integration on financial performance of small and medium enterprises.....38

Table 6: Showing ways how your organisation applied the computerised system in financial management.....40

Table 7: Showing ways how computerization improved productivity in your business organization.....41

Table 8: Showing the effects of working capabilities on financial performance of small enterprises.....42

Table 9: Showing working capability benefits which attribute to computerization in your business43

Table 10: Showing the basic networking capability challenges faced by your enterprise44

Table 11: showing the effect of system integration on financial performance of small and medium enterprises.....45

Table 12: Showing the most common challenges faced in software application in an enterprise .46

Table 13: Showing the extent to which software application has cause transparency in handling of organizational funds47

LIST OF FIGURES

Figure 1: Conceptual framework..... 17

Figure 2: Illustration showing application of Technology Acceptancy model (TAM)..... 22

Figure 3: A pie chart showing gender of respondents 36

Figure 4: A histogram showing age of the respondents 37

Figure 5: Apie chart showong education background..... 38

Figure 6: A pie chat showing The effect of system integration on financial performance of small and medium enterprises 40

Figure 7: A pie chart showing ways how your organisation applied the computerised system in financial management..... 41

Figure 8: A pie chart showing the effects of working capabilities on financial performance of small enterprises 43

Figure 9: A pie chart showing working capability benefits which attribute to computerization in your business 44

Figure 10: A bar hraph showing the basic networking capability challenges faced by your enterprise 45

Figure 11: A bar graph showing the effect of system integration on financial performance of small and medium enterprises 46

Figure 12: A pie chart showing the most common challenges faced in software application in an enterprise 47

Figure 13: A histogram showing the extent to which software application has cause transparency in handling of organizational funds 48

LIST OF ABBREVIATIONS AND ACRONYMS

AGP	Accelerated Graphic Port
BIOS	Basic Input and Output System
DBMS	Database Management System
DOC	Document
EEPROM	Alterable Programmable Read Only Memory
EPROM	Erasable Programmable Read Only Memory
GUI	Graphic User Interface
ICT	Information Communication Technology
ISP	Internet Service Provider
LAN	Local Area Network
PAN	Personal Area Network
PC	Personal Computer
UNIVAC	Universal Automatic Computer
USB	Universal Serial Board

CHAPTER ONE

1.0 Introduction

This chapter gives the general introduction to the study. It covers the background to the study, problem statement, purpose and objectives of the study, the research questions, scope of the study, the significance of the study, conceptual framework, assumptions of the study, limitations and definition of key concepts.

1.1 Background of the study

According to Peterson et al, 1996 in relation with financial management, benefits the business world by allowing organization to work more efficiently and maximize productivity, faster communication, electronic storage and electric record are the few popular practices. Since the ubiquity of ICT has increased across the boundaries it has now become an inevitable domain to incorporate ICT in all workstations to tackle all the activities in efficient and effective fashion. Technology is an essential partner in management for business, regardless of the kind of enterprise you operate. Whether you need computers for storage, transfers, retrieval or transmission of information, you can manage your business with greater accuracy and efficiency with the assistance of information technology and computer applications. The benefits of using ICT are tangible and can be measured through the following ways. (Peterson et al, 1996),

Abanis et al, (2015) argues that Financial Management entails planning for the future for a person or a business enterprise to ensure a positive cash flow. It includes the administration and maintenance of financial assets. Besides, financial management mainly deals with proper planning, analyzing of risks and also proper management of firm's financial resources. During the depressions, emphasis shifted to bankruptcy and reorganization, to corporate liquidity, and to the regulation of security markets. Abanis (2015)

The Organization for Economic Corporation and Development (OECD) analysis shows the impacts of ICTs on performance of SME's being positive overall, but that ICTs are not a panacea

REFERENCES

Athey, S.; and S. Stern (1997), "An Empirical Framework for Testing Theories about Complementarities in Organizational Design," Mimeo, MI.

[http:// www.economywatch.com/financialmanagement.html](http://www.economywatch.com/financialmanagement.html). Financial management in Econom.

Bartel, Margaret (1996), Integrated Financial management systems: A guide to Implementation, based on the experience in Latin America, Institute For Democratic Strategies, LATPS Occasional Paper Series Number 19, December, 1996

Berndt, E. R. and C. J. Morrison (1995), "High-tech Capital Formation and Economic Performance in U.S. Manufacturing Industries: An Exploratory Analysis," Journal of Econometrics 65: 9-43.

Bimal Bhatt (2011): Financial Management Importance

Business intelligence report (2009) by KPMG

Bresnahan, T. F. and M. Trajtenberg (1995), "General Purpose Technologies: 'Engines of Growth'?" Journal of Econometrics 65: 83-108.

Brynjolfsson, E. and L. Hitt (1996), "Paradox Lost? Firm-level Evidence on the Returns to Information Systems Spending," Management Science 42(4): 541-558

Chaplin S (2002). *Changes in Accountancy costs for Tasmanian SME*. Implementing. Computerised accounting systems. Publisher, Delhi India

Carter McNamara (2003). Basics of financial Management in U.S Small Business for profit.

Carl S. Warren, James M. Reeve, Philip E. Fess, Paperback: *Corporate Financial Accounting* (Corporate Financial Accounting), Publisher: South-Western College

David, P. A. (1990), "The Dynamo and the Computer: A Historical Perspective on the Modern Productivity Paradox," *American Economic Review*. Duncan B (2007). 7 Tips for effective financial management.

Adelman, M.A. "Concept and Statistical Measurement of Vertical Integration," in *Business Concentration and Price Policy*, edited by G.J. Stigler, Princeton: Princeton University Press, 281-322, 1955. Bakos, Y. "The Emerging Role of Electronic Marketplaces on the Internet," *Communications of the ACM*, 41, 8, 35-42, August 1998.

Bakos, Y. and Brynjolfsson, E. "From Vendors to Partners: The Role of Information Technology and Incomplete Contracts in Buyer-Supplier Relationships," *Journal of Organizational Computing*, 3, 3, 301-328, 1993.

Bakos, Y. and Brynjolfsson, E. "Organizational Partnerships and the Virtual Corporation," in Kemerer C.L. *Information Technology and Industrial Competitiveness: How Information Technology Shapes Competition*, Kluwer Academic Publishers, 1997

Bakos, Y and Tracy, M.E. "Information Technology and Corporate Strategy: A Research Perspective," *MIS Quarterly*, 107-119, June 1986.

Bender, D.H. "Financial Impact of Information Processing," *Journal of Management Information Systems*, 3, 2, 22-32, 1986.

Brynjolfsson, E. "The Productivity Paradox of Information Technology," *Communications of the ACM*, 36, 12, December 1993.

Brynjolfsson, E. and Hitt, L. "Information Technology as a Factor of Production: The Role of Differences Among Firms," *Economics of Innovation and New Technology*, 3, 4, 183-200, May 1995.

Brynjolfsson, E. and Hitt, L. "Paradox Lost? Firm Level Evidence on the Returns to Information Systems Spending," *Management Science*, 541-558, April 1996.

Brynjolfsson, E. and Hitt, L. "Beyond the Productivity Paradox," *Communications of the ACM*, 41, 8, 49-55, August 1998.

Brynjolfsson, E., Malone, T.W., Gurbaxani, V., and Kambil, A. "Does Information Technology Lead to Smaller Firms?" *Management Science*, 40, 12, 1628-1644, December 1994.

Clarke, R. *Industrial Economics*, Basil Blackwell Ltd., Oxford, UK, 1985.

Cron, W.L. and Sobol, M.G. "The Relationship Between Computerization and Performance: A Strategy for Maximizing the Economic Benefits of Computerization," *Information and Management*, 6, 171-181, 1983.

Growth in Uganda by Waswa Balunywa Director Makererere University Business School Kampala, Uganda

Galbraith, J. (1977), *Organizational Design*, Reading, MA: Addison- Wesley.

Holmes, S., 1987, "The Practicing Accountant and the Small Business", *The Chartered Accountant in Australia*, August

Milgrom, P. and J. Roberts (1992), "The Economics of Modern Manufacturing: Technology, Strategy, and Organization," *American Economic Review* 80(3): 511-528.

Mukherjee A,M Hanif (2003). *Financial Accounting*. Tata McGraw-Hill Publishing Co. Ltd New Delhi.